

MAYFAIR INSURANCE TANZANIA LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

MAYFAIR INSURANCE TANZANIA LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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MAYFAIR INSURANCE TANZANIA LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

LIST OF ABBREVIATION

CPA	Certified Public Accountant
CGU	Cash Generating Unit
IAS	International Accounting Standards
IBNR	Incurring But Not Reported
IEASB	International Ethics Standards Board for Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRSs	International Financial Reporting Standards
ISA	International Standards on Auditing
MNO	Mobile Network Operator
NBAA	National Board of Accountants and Auditors
NSSF	National Social Security Fund
PSSSF	Public Service Social Security Fund
TRA	Tanzania Revenue Authority
TZS	Tanzania Shillings
USD	United States Dollars
VAT	Value Added Tax

MAYFAIR INSURANCE TANZANIA LIMITED

CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

DIRECTORS	Name	Nationality	Position
	Mr. Jayesh G. Shah	British	Chairman
	Mr. Anjay V. Patel	British	Director
	Mr. Vishal R. Patel	Kenyan	Director
	Mr. Abbas M. Jessa	Tanzanian	Director
	Mr. David A. Sawe	Tanzanian	Director
	Mr. William E. Erio	Tanzanian	Director
	Mr. Pawan S. Patel	Tanzanian	Director
	Mr. Darpan Pindolia	British	Director
	Mr. Sanjay K Singh	Indian	Managing Director

MANAGEMENT	Name	Position
	Sanjay K. Singh	Managing Director
	Dinesh M. Kankekar	General Manager
	Charles M. Sebastian	Chief Finance Officer
	Chrisbeth Thomas	Assistant General Manager

REGISTERED OFFICE 2nd Floor, TAN Re House,
Plot No. 406, Longido Street
Upanga, Dar es Salaam, Tanzania
Tel + 255 2922337/338
Fax +255 2922339
E-mail: info@mayfair.co.tz

COMPANY SECRETARY Adili Corporate Services Tanzania Limited
Ground floor,
1 Bains Singh Avenue, Msasani Peninsula
P. O. Box 79651,
Dar es Salaam

AUDITOR KPMG
The Luminary
Plot No.574, Haile Selassie Road
Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam
Registration No: 107992
TIN 100-144-91
PF No. 020

LAWYER A & D Law Attorneys
15-13 Lukuledi St,
P. O. Box 34511
Dar es Salaam, Tanzania

MAIN BANKERS	I & M Bank (Tanzania) Limited Main Branch – Mosque Street P. O. Box 1509 Dar es Salaam	Diamond Trust Bank Tanzania Limited Upanga Branch – UN Road P. O. Box 115 Dar es Salaam
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MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors have pleasure to present their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of the Company as at that date.

1. INCORPORATION

The Company is incorporated in Tanzania under the Companies Act, 2002. Its registered office is situated at Tan-Re House, 2nd Floor, P. O. Box 38353 Dar es Salaam.

2. PRINCIPAL ACTIVITIES

The Company is a licenced insurer and underwrites general insurance business.

3. OUR BUSINESS MODEL

Company's business model is based on assuming and spreading of risks which revolves around loss probability and diversification of risks. It's a risk sharing model which involves pooling of risks from individual customers and redistributing it across a larger portfolio. Company generates revenue in two ways i.e., by charging premium for granting insurance coverage and then reinvesting the premiums into other income generating assets.

Company recognises insurance claims servicing as its real tangible product and accords utmost importance as a tool to it to create and retain a loyal customer base on long term basis.

Customer centricity is the cardinal business philosophy of the Company. Company also accords high importance to its internal customers- the employees.

Strict compliance to laws of the land along with regulatory norms are the corner stones of all endeavours by the Company. As a responsible corporate citizen, the Company is highly committed to CSR activities.

Appreciation of shareholder value is also one of the key aims of the Company which is driven mainly by revenue generation, cost management, financial capital management and business environment management.

Company lays high emphasis on extensive use of technology to reach out to a wider client base through fast, efficient, affordable and reliable services.

In view of fast changing business environment, Company recognises that it will be critical for it to constantly upgrade its business model to make it leaner, faster and more effective by making it more agile and adaptive.

4. OUR STRATEGY

Company's strategy is governed by the Strategic Action Plan (SAP) for 2022-2024 as approved by Board.

The focus of the strategic action plan is on sustainable growth with profitability and customer service. Towards this goal, the Company has evaluated the performance since inception and identified its strength and weakness vis a vis its competitors. To earn the customer confidence, the Company will utilize the IT enabled services and build teams with right attitude and accountability.

Apart from focussing on further cementing relationship with existing channels and clients, Company will also make extensive use of new emerging distribution channels of bancassurance and MNO platforms for fintech micro-insurance solutions to increase the insurance penetration. In depth market research and analysis followed by launch of new innovative products will also be a key component of Company's strategy.

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4. OUR STRATEGY (CONTINUED)

Company will continue to follow the principle of leaner, compact but highly motivated team backed by wide use of IT-enabled techniques for faster delivery of its services.

Company's strategy will be continuously reviewed and realigned in light of changing economic developments and emerging needs of the society and markets.

5. COMPANY'S VISION

To be distinguished as a reliable and innovative Pan-African financial services leader.

6. COMPANY'S MISSION

To provide financial security through reliable and innovative insurance solutions.

7. CORPORATE GOVERNANCE

The Board of Mayfair Insurance Tanzania Limited consists of eight (8) non-executive directors. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management's business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and is in compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to Chief Executive Officer assisted by senior management. Senior management are invited to attend board meetings and facilitate the effective control of all the Company's operational activities, acting as a medium of communication and coordination between all the various business units. During the year the Board met five times.

The Company is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability. During the year the Board of Mayfair Insurance Company Tanzania Limited had the following board sub-committees to ensure a high standard of corporate governance throughout the Company. These are;

- Board Audit Risk & Compliance Committee;
- Board Investment Committee;
- Executive Committee (EXCOM); and
- Board Strategy Committee

Board Audit and Risk Committee

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Anjay V. Patel	Chairman
2	Mr. David A. Sawe	Member

Board HR and Investment Committee

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. William E Erio	Chairman
2	Mr. Pawan S. Patel	Member

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

7. CORPORATE GOVERNANCE (CONTINUED)

Executive Committee (EXCOM)

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Jayesh G. Shah	Chairman
2	Mr. Abbas M. Jessa	Member

Board Strategy Committee

<u>No.</u>	<u>Name</u>	<u>Position</u>
1	Mr. Vishal V. Patel	Chairman
2	Mr. Darpan Pindolia	Member

8. CAPITAL STRUCTURE

The shares of the Company are held by the following shareholders:

	%	2022 Amount	%	2021 Amount
<i>Significant shareholder</i>	40	1,600,000	40	1,600,000
Mayfair Insurance Company Limited – Kenya				
<i>Other shareholders</i>	60	2,400,000	60	2,400,000
Abbas Mohamed Jessa				
Andrea Limited				
Subhash Motibhai Patel				
Lakdawalla Investments Limited				
Anjay Vithlbhai Patel				
Harbinder S. Jandu & Kamal Pal S. Jandu				
Gigvir Investments Limited				
Girdhar Pindolia				
Gaurav Pravin Shah				
Sujay Limited				
Jamdaba Limited				
Kasbo Holdings Limited				
Akberali A. Somji				
	100	<u>4,000,000</u>	100	<u>4,000,000</u>

All the shareholders are financially strong and successful in their own businesses which acts as a great source of guidance for the Company. As a largest shareholder Mayfair Insurance Company Kenya Ltd. provides high level of technical guidance and support to the Company coming from their over 17 years of experience in this sector from multiple markets in Africa. Presence of a large group of successful businessmen from diverse sectors as shareholders gives the Company access to their rich experience and networks apart from diversification of capital sources.

The shareholders are committed to fulfil the Company's capital needs to meet its goals and objectives. For the Company's future capital needs, internal generation of resources is among the strategies that shareholders are following. This is being achieved through profitable operations and prudent distribution of dividends, while remaining mindful of the Company's capital and liquidity requirements during both the short and long terms.

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

8. CAPITAL STRUCTURE (CONTINUED)

The Company follows a conservative underwriting philosophy by making proper risk selections and right-pricing through adequate reinsurance protection, to shield the Company's capital from undue exposure. Its management team is well-qualified and experienced for taking care of all technical requirements for proper Company risk management. The Company adheres to management practices for delivering prompt, fair and transparent claims handling, which help it to rationalise the claims costs. This adds to an incremental growth of the Company's reserves through regular underwriting profits that have assisted the Company to increase shareholders' funds on a continuous basis, after complying with statutory requirements of holding various reserves, including for contingencies.

9. MANAGEMENT STRUCTURE

The Management of the Company is under the Chief Executive Officer (CEO) and is organised in the following departments.

- Finance and administration department;
- Operations and Marketing department;
- Information communications and technology department.

10. FUTURE DEVELOPMENT PLANS

The Company has consolidated its credentials as a serious long-term player in the Tanzanian Insurance sector by setting credible benchmarks in customer service and care through prompt and effective claims management on the basis of prudent underwriting practices. The Company has consistently exceeded the prudential solvency margins required by the insurance regulator TIRA underlining its responsible business practices of keeping customer's long-term safety and security in mind.

The Company intends to aggressively contribute to government's policy of further improving the financial inclusion of masses by increasing insurance penetration through designing of new innovative products focussing on agriculture and micro-insurance sectors for which a beginning has already been made. Local upskilling and capacity building also remained a significant component of Company's policies for the year 2022.

Company aims to expand the network of its offices and distribution partners across Tanzania by making extensive use of technology. New fintech products for micro-insurance and agriculture insurance will receive very close attention of the Company to increase its product base and keep it relevant.

Company plans to work its way up from current market position of being in top 10 insurers (excluding Life and Medical) to be in top 5 within a period of 2 years.

11. PERFORMANCE OF THE YEAR

The results of the Company are set out on page 19 of these financial statements. During the year dividend of TZS 900 million was declared and paid. The highlights of the Company's performance for the year are as follows:

- Gross written premium was TZS 33.47 billion. (2021 TZS 27.08 billion);
- The net written premium was TZS 15.27 billion (2021: TZS 11.77 billion);
- The net insurance claims incurred was TZS 6.19 billion. (2021: TZS 4.38 billion);
- The administration expenses for the year were TZS 6.55 billion. (2021: TZS 4.38 billion);
- The Company has registered a profit before tax of TZS 2.32 billion. (2021: profit of TZS 2.66 billion).

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

12. KEY PERFORMANCE INDICATORS

<u>Performance indicator</u>	<u>Definition and calculation method</u>	2022	2021
Loss Ratio	Claims incurred/Gross premium	18.51%	16.17%
	Net paid claims/Net written premium	32.74%	30.61%
	Net incurred claims/Earned premium	42.45%	43.71%
Premium Retention Ratio	Net premium/Gross premium	45.60%	43.45%
Operating Ratio	Management expense/Gross premium	19.56%	16.16%
	Management expense/Net premium	44.87%	37.19%
Net Combined Ratio (A measure of profitability of the Company's operations)	Management expense including net commission and net incurred claims/Net earned premium	94.03%	86.56%

13. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

The principal financial risks that may significantly affect the Company's strategies and development are mainly insurance risk, financial risk, credit risk, liquidity risk and market. More details of the risks facing the Company are provided in Note 28 to the financial statements.

14. OUR RESOURCES

Financial resources

The Company has adequate financial capacity and resources to successfully implement the strategies for both management expenses and capital investments. Company maintains high solvency margin and reserves to successfully meet the contingencies, if any.

Structure

The current Company Structure is adequate to support the effective and efficient implementation of the strategic initiatives laid down. The internal systems and processes do provide a conducive environment for executing the strategic action plan of the Company.

Policy

Company has right framework of proper policies and all required guidelines, manuals, rules, and procedures in place, are adequate to implement the corporate strategy. Some of the manuals and guidelines and procedures, however, will be subject to periodic reviews to align them with the demands of changing economic conditions and market dynamics. Company has adequate resources to implement these changes on a periodic basis.

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

14. OUR RESOURCES (CONTINUED)

Human Resource

The Company has a very professional and effective Human Resource capital in the form of an experienced and qualified management team led by Managing Director having over 34 years of experience in insurance sector. The combined experience of management team comprising of Managing Director/CEO, GM-T, CFO, AGM and Head of Marketing is over 60 years.

Management team is supported by a team of professionally qualified 27 staff members who are regularly trained to upgrade their skills to fill the skill gaps. Company has an active HR department which analyses the training requirements on a regular basis and imparts needed training periodically through in-house sessions and also nominations to external training programs.

The Company is an equal opportunity employer without any discrimination based on religion, gender, caste, tribe, color or region. Company's human resource successfully withstood the demands put in by the extra ordinary situation arising due to covid-19 pandemic. The team maintained its composure and walked the extra mile to continue the effective customer services during the pandemic. All needs of customers were met with promptitude and positive attitude. Company implemented the rotation policy to increase the physical distance in office. Apart from being provided with masks, sanitizers and regular guidance on covid-19 precaution protocols, all staff members were tested for covid-19 by RT- PCR method and thankfully all were negative.

The Company ensured that there was no lay off and also no cuts in salary or benefits during the tough times arising due to covid-19 pandemic.

Social and relationship resources

Our relationships are established within and between each community, group of stakeholders and other networks including the ability to share information and enhance individual and collective well-being. Company lays special emphasis on shared norms, common values and behaviours, key relationships, and the trust and willingness to engage developed over time as it strives to create and protect wealth for its stakeholders.

Company remains committed to stay away from corruption and anti-competitive behaviors and dedicates itself to customer safety and privacy through transparent and non-discriminatory behavior with full respect to human rights and personal freedom and liberty among others.

Company remains committed to social causes by making regular contribution to orphanages, schools public health initiatives

15. TREASURY POLICIES AND OBJECTIVES

The treasury policy of Mayfair Insurance Company Tanzania Ltd is designed after taking into account the nature, terms and currency of the various liabilities and existing legislations. The aim of this treasury policy is to maximize returns without endangering solvency and liquidity needs to meet its claims liabilities. During the year 73% of total investment was placed on short term fixed interest securities in order to fulfil the insurance claim needs at short notice.

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

16. TREASURY POLICIES AND OBJECTIVES (CONTINUED)

Company maintains about 27% of its investment in government securities. Company keeps the return on its investments and impact of exchange gains/loss due to currency fluctuations under close monitoring to maximize the returns along with desired level of security of its funds.

17. RELATIONSHIP WITH THE STAKEHOLDER

Relationships with our key stakeholders including customers, suppliers, business partners, regulators and other service providers remained cordial throughout the year. A good relationship with our key stakeholders remains the root of our core values and belief

18. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial period ended 31 December 2022 and is of the opinion that they met accepted criteria.

The Board carries risk and internal control assessment through Board Audit Risk & Compliance Committee.

19. EMPLOYEES WELFARE

Management and employees' relationship

Relationship between employees and management continued to remain good and harmonious for the year. There were no grievances received by Management from the employees during the year. A healthy relationship continues to exist between management and staffs to achieve corporate goals and expectations.

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

During the difficult period arising due to covid-19 pandemic, the Company took care of its employees by providing them with free masks, sanitizers and regular briefings on ways to stay safe. Staff members were called to office on alternate days to maintain social distance in the office. The employees were also provided with IT gadgets so that they could work remotely from home.

MAYFAIR INSURANCE TANZANIA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

19. EMPLOYEES WELFARE (CONTINUED)

Management and employees' relationship (continued)

All employees were facilitated to undergo RT-PCR test. Employees were also extended all conveniences to go for vaccination as per government of Tanzania protocols during the time of covid-19 pandemic.

Training facilities

Company lays great importance on improving the skills and knowledge of its employees. To this end regular inhouse trainings and sessions are held to impart them with new knowledge and techniques. Employees are also regularly nominated to trainings organised by external agencies and institutes. During the year the Company spent about TZS 47.2 million (2021: TZS 6.8 million) for staff training in order to improve employees' technical skills and hence effectiveness to discharge the official responsibilities.

Training programs are continually being developed and conducted to ensure employees are adequately trained at all levels and all employees have some form of annual training to upgrade skills and enhance their technical knowledge.

Medical assistance

All members of staff and their spouse with a maximum number of four beneficiaries (dependants) each were availed medical insurance cover for both outpatient and inpatient needs.

Employees benefit plan

The Company makes contributions to NSSF and ZSSF on mandatory basis which qualifies to be a defined contribution plan.

The average number of employees during the year was 35 (2021: 32).

Group Life Insurance cover

The Company provides for group life insurance cover to its permanent employees.

20. DISABLED PERSONS

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

21. GENDER PARITY

The Company gives equal opportunity to all Tanzanians during recruitment and filling of management positions provided they have required qualifications and the ability regardless of their gender. The Company had 35 employees, out of which 17 (equivalent to 49%) were female and 18 (equivalent to 51%) were male (2021: 32 employees, 15 female (47%) and male were 17 (53%).

MAYFAIR INSURANCE TANZANIA LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

22. CORPORATE SOCIAL RESPONSIBILITY

The Company encourages its employees' initiatives on participation in corporate social responsibility activities. During the year, the Company undertook various corporate social responsibility activities involving outgo of over TZS 28.60 million (2021: TZS 14.00 million). The activities included donations to orphanages, school fees for needy students and donations to schools.

23. POLITICAL AND CHARITABLE DONATIONS

No donations were made to any political institutions during the financial year ending 31 December 2022 (2021: Nil).

24. CASH FLOWS

The Company is well resourced in terms cash flows, cash generated from operating activities covers for cash used in financing and investing activities. The payment of premium by clients directly to the Company and before commencement of insurance contract has positively influenced stable cash flows for the Company.

Delay in collection of facultative inward premium and other recovery from reinsurers may have an adverse impact to the Company's cash flow in future, however management have strong controls in place to ensure that receivables are recovered on timely fashion. Directors do not foresee any existence of commitments for capital expenditure that would impact the cash flow position of the Company. All excess cash are being invested prudently as guided by the investment policy.

25. LIQUIDITY

The Company liquidity is solely from internal sources, there is no plan for borrowing. Liquidity gap for up to the next 5 years is being tested and various risk tolerance limits being benchmarked. The Company manages liquidity by maintaining adequate reserves, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

26. SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of directors has reasonable expectation that Mayfair Insurance Tanzania Limited has adequate resources to continue in operational existence for the foreseeable future.

The Company's state of affairs as at 31 December 2022 is set out on page 18 of these financial statements.

27. TRANSFER TO RESERVE

An amount of TZS 1.0 billion (2021: TZS 812.4 million) was transferred from the retained earnings to a contingency reserve, in accordance with Section 27(2)(b) of the Insurance Regulations being higher of 3% of total written premium or 20% of the net profit after tax.

28. ADMINISTRATIVE MATTERS

The Company is capable of handling all administrative matters.

29. RELATED PARTY TRANSACTIONS

The details of related party balances and transactions are provided in Note 25 to the financial statements.

MAYFAIR INSURANCE TANZANIA LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

30. DIRECTORS

The directors of the Company during the period and up to the date of this report are:

Name	Gender	Nationality
Mr. Jayesh G. Shah	Male	British
Mr. Anjay V. Patel	Male	British
Mr. Vishal R. Patel	Male	Kenyan
Mr. Abbas M. Jessa	Male	Tanzanian
Mr. David A. Sawe	Male	Tanzanian
Mr. William E. Erio	Male	Tanzanian
Mr. Pawan S. Patel	Male	Tanzanian
Mr. Darpan Pindolia	Male	British
Mr. Sanjay K. Singh	Male	Indian

The non-executive directors are remunerated only by sitting fees.

31. APPOINTMENT OF THE AUDITOR

The Company's auditor, KPMG has expressed its willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditor will be put to the Annual General Meeting.

32. RESPONSIBILITY OF THE AUDITOR

Auditor is responsible to provide assurance of the consistency of information contained in the report by those charged with governance with those provided in the financial statements.

33. RESPONSIBILITIES OF THE DIRECTORS

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of the Company for the year ended 31 December 2022 to the date of approval of the financial statements, in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Company Act, 2002. More details of the responsibilities of the directors are shown on page 14.

34. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Company (2020: None).

35. STATEMENT OF COMPLIANCE

The directors' Report has been prepared in full compliance with Tanzania Financial Reporting Standard No.1 (TFRS 1) on directors' report.

BY ORDER OF THE BOARD



.....
MR. JAYESH G. SHAH
CHAIRMAN

DATE: 31/03/23



.....
MR. DAVID A. SAWE
DIRECTOR

DATE: 31/03/23

MAYFAIR INSURANCE TANZANIA LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Company's directors are responsible for the preparation of the financial statements that give a true and fair view of Mayfair Insurance Tanzania Limited comprising the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standard) and in the manner required by the Companies Act, 2002.

The Company's directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of Mayfair Insurance Tanzania Limited, as identified in the first paragraph, were approved and authorized for issue by the directors on31...../03...../..... 2023.



.....
MR. JAYESH G. SHAH
CHAIRMAN

Date: 31/03/23



.....
MR. DAVID A. SAWE
DIRECTOR

Date: 31/03/23

MAYFAIR INSURANCE TANZANIA LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2022**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of directors as indicated in the statement of Directors' Responsibilities.

I, Charles M. Sebastian being the Chief Finance Officer of Mayfair Insurance Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022, have been prepared in compliance with the applicable accounting standards and statutory requirements.

I, thus confirm that the financial statements of Mayfair Insurance Tanzania Limited comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



Signed by: CPA Charles M. Sebastian

Position: Chief Finance Officer

NBAA Membership No: GA 2149

Date: 31/03/2023



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mayfair Insurance Tanzania Limited ("the Company") set out on pages 18 to 65, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED**

Report on the Audit of the Financial Statements (Continued)

Key audit matters (continued)

Insurance contract liabilities

Refer to Note 3 (a)(ii) and Note 14 to the financial statements

Key audit matter	How the matter was addressed in our audit
<p>Insurance contract liabilities</p> <p>Insurance contract liabilities constitute 86% (TZS 26 billion) of the Company's total liabilities as at 31 December 2022.</p> <p>Estimates are made for both expected ultimate costs of claims reported and claims incurred but not reported (IBNR) at the end of the reporting date. The estimates in respect of IBNR are generally subject to a greater degree of estimation uncertainty than that for reported claims. Some of the underlying techniques applied in the estimation of the liability include the Company's past claims experience which is used to project future claims development and hence ultimate costs. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future. The key qualitative assumptions include:</p> <ul style="list-style-type: none">— one-off occurrences such as unusually large/small claims,— levels of claims inflation based on historical trends,— judicial decisions and legislation— internal and external foreseeable events such as claims portfolio mix, and changes in claims handling procedures that would impact the level of gross outstanding claims as at the reporting date. <p>In order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, the aforementioned factors present a multiple array of uncertainties and judgements involved.</p> <p>Due to the size and complexity of estimating insurance contracts liabilities and judgements involved, we considered this to be a key audit matter in the current year.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none">• Assessing the design and implementation and operating effectiveness of key controls around the Company's processes regarding IBNR from when the provision related to claim is recognised to the settlement of the actual claim;• Evaluating a sample of claims reserves by comparing the estimated amount of the reserve to the appropriate documentation, such as reports from loss adjusters;• Assessing whether there are unrecorded insurance contract liabilities at the end of the financial period by inspecting claims reported and claims paid after the end of the reporting period; and• Assessing the reasonableness of management's adjustments on past trends on factors such as public attitudes to claiming, one-off occurrences, levels of claims inflation, judicial decisions and legislation, internal and external foreseeable events such as portfolio mix and changes in the claims handling procedures for to eliminate aspects that may not apply in future claims by comparing the accuracy of such adjustments in the past to the subsequent claims trends through performing an actual versus expected analysis on prior years' reserves for any surpluses or shortfalls.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED**

Report on the Audit of the Financial Statements (Continued)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the *Mayfair Insurance Tanzania Limited Report and Financial Statements for the year ended 31 December 2022*, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that required by the Companies Act, 2002 as set out below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAYFAIR INSURANCE TANZANIA LIMITED**

Report on the Audit of the Financial Statements (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, solely based on our audit of financial statements, that:

- in our opinion, proper accounting records have been kept by Mayfair Insurance Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

KPMG

Certified Public Accountants (T)

Signed by: CPA Alexander Njombe (ACPA 2714)

Dar es Salaam

Date: **31-03-2023**

MAYFAIR INSURANCE TANZANIA LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022 TZS'000	2021 TZS'000
Assets			
Right of use assets, Property and equipment	6	364,678	427,857
Intangible assets	7	21,157	80,057
Investment in government securities	9	5,065,716	4,909,764
Corporate bonds	30	50,000	-
Deferred tax	26 (b)	458,422	369,699
Reinsurers' share of technical provisions and reserves	11	12,522,216	10,527,127
Insurance receivables	12	2,901,477	622,874
Reinsurance receivables	12	1,242,314	4,323,622
Deferred acquisition cost	8	2,306,843	2,208,820
Other receivables	13	81,428	69,650
Deposit with financial institution	10	13,991,564	12,306,514
Income tax receivable	26 (a)(ii)	236,267	267,153
Cash and bank balances	23	971,680	1,434,044
Total assets		<u>40,213,762</u>	<u>37,547,181</u>
Liabilities			
Insurance contract liabilities	14(a)	26,044,473	22,120,826
Payables arising from reinsurance arrangements	15	2,914,749	4,253,378
Other payables	16	1,319,034	1,789,064
Bank overdraft	24	16,799	-
Total liabilities		<u>30,295,055</u>	<u>28,163,268</u>
Net assets		<u>9,918,707</u>	<u>9,383,913</u>
Shareholders' equity			
Share capital	17(a)	4,000,000	4,000,000
Retained earnings		1,877,106	2,346,343
Capital and contingency reserves	17(b)	4,041,601	3,037,570
Total shareholders' equity		<u>9,918,707</u>	<u>9,383,913</u>

The financial statements on pages 18 to 65 were approved and authorised for issue by the Board of directors on 31/03/2023 and were signed by:



.....
MR. JAYESH G. SHAH
CHAIRMAN



.....
MR. DAVID A. SAWE
DIRECTOR

Notes and related statements forming part of these financial statements appear on pages 22 to 65.
Report of the Auditor – pages 14 to 17.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 TZS'000	2021 TZS'000
Gross written premium	18	33,467,705	27,081,083
Premium ceded to re-insurers		<u>(18,194,361)</u>	<u>(15,313,163)</u>
Net written premium		<u>15,273,344</u>	<u>11,767,920</u>
Change in gross unearned premium provision	14(b)(i)	(1,495,269)	(3,701,725)
Re-insurers' share of technical provisions and reserves (change in unearned premium)	11(b)(i)	<u>812,174</u>	<u>1,953,693</u>
Net unearned premium		<u>(683,095)</u>	<u>(1,748,032)</u>
Net insurance premium		14,590,249	10,019,888
Commission income		4,923,655	4,085,811
Investment income	19	1,423,103	1,277,098
Other income		26,861	31,267
Net income		<u>20,963,868</u>	<u>15,414,064</u>
Gross insurance claims	20(a)	(12,793,181)	(6,519,330)
Re-insurers' share of claims and benefits incurred	20(b)	<u>6,599,433</u>	<u>2,139,135</u>
Net insurance claims		<u>(6,193,748)</u>	<u>(4,380,195)</u>
Acquisition costs	21	(6,156,181)	(3,887,556)
Administrative expenses	22	(6,546,159)	(4,381,467)
Release/(charge) of provision for impairment	12(b)	<u>252,582</u>	<u>(109,709)</u>
		<u>(12,449,758)</u>	<u>(8,378,732)</u>
Profit before tax		2,320,362	2,655,137
Income tax expense	26(a)(i)	<u>(885,568)</u>	<u>(696,813)</u>
Profit for the year		1,434,794	1,958,324
Other comprehensive income		-	-
Total comprehensive income for the year		<u>1,434,794</u>	<u>1,958,324</u>

Notes and related statements forming part of these financial statements appear on pages 22 to 65.
Report of the Auditor – pages 14 to 17.

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital TZS'000	Contingency reserves TZS'000	Retained earnings TZS'000	Total TZS'000
Balance as at 1 January 2022	4,000,000	3,037,570	2,346,343	9,383,913
Total comprehensive income for the year				
Profit for the year	-	-	1,434,794	1,434,794
Transfer to contingency reserves *	-	1,004,031	(1,004,031)	-
	-	<u>1,004,031</u>	<u>430,763</u>	<u>1,434,794</u>
Transactions with owners of the Company				
Dividend paid during the year	-	-	(900,000)	(900,000)
Balance as at 31 December 2022	<u>4,000,000</u>	<u>4,041,601</u>	<u>1,877,106</u>	<u>9,918,707</u>
Balance as at 1 January 2021	4,000,000	2,225,138	1,200,451	7,425,589
Total comprehensive income for the year				
Profit for the year	-	-	1,958,324	1,958,324
Transfer to contingency reserves *	-	812,432	(812,432)	-
Balance as at 31 December 2021	<u>4,000,000</u>	<u>3,037,570</u>	<u>2,346,343</u>	<u>9,383,913</u>

*Transfer to Contingency reserve is calculated annually as the higher of 3% of total written premium or 20% of the net profit after tax, in accordance with the Insurance Act, Tanzania. This reserve shall accumulate until it reaches the minimum paid up share capital or 50% of the net premiums, whichever is greater.

Notes and related statements forming part of these financial statements appear on pages 22 to 65.
Report of the Auditor – pages 14 to 17

MAYFAIR INSURANCE TANZANIA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 TZS'000	2021 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		1,434,794	1,958,324
Adjustments for:			
- (Release)/charge of provision charge for bad debts	28(c)	(252,582)	109,709
- Depreciation of property and equipment	6	115,862	113,399
- Amortisation of computer software	7	365,103	215,427
- Corporate tax expense	26(a)(i)	885,568	696,813
- Amortisation of right of use assets	6	141,294	141,294
- Interest on lease liability	27	19,800	27,737
- Interest income on fixed deposits and treasury bond		(1,320,806)	(553,649)
- Unrealised exchange loss on cash and cash equivalent		26,861	1,154
Operating profit before working capital changes		1,415,894	2,710,208
Changes in:			
- Insurance contract liabilities		3,923,647	(3,099,431)
- Receivables arising out of direct insurance arrangements		(2,026,021)	(37,316)
- Receivables arising out of reinsurance arrangements		3,081,308	(1,457,141)
- Reinsurer's share of technical provision and reserves		(1,995,089)	6,163,568
- Other receivables		(11,778)	(4,560)
- Payables arising out of reinsurance arrangements		(1,338,629)	916,229
- Other payables (excluding lease liability)		(340,744)	(2,447,118)
- Deferred acquisition cost	8	(98,023)	(586,203)
Cash generated from operating activities		2,610,565	2,158,236
Payment of lease liability interest	27	(19,800)	(27,737)
Income tax paid	26 (a) (ii)	(943,405)	(979,800)
Net cash generated from operating activities		1,647,360	1,150,699
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of items of property and equipment	6	(193,977)	(45,981)
Acquisition of intangible assets	7	(306,203)	(7,628)
Investment in corporate bonds		(50,000)	-
Investment in government securities		(229,952)	(390,850)
Proceeds from government securities		74,000	-
Investment in deposits with financial institutions		(11,632,175)	(9,961,959)
Proceeds from deposits with financial institutions		9,961,959	9,827,309
Interest income received		1,247,908	572,999
Net cash used from investing activities		(1,128,440)	(6,110)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability principal	27	(129,286)	(149,224)
Dividend paid		(900,000)	-
Net cash used in financing activities		(1,029,286)	(149,224)
Net (decrease)/ increase in cash and cash equivalents		(510,366)	995,365
Movement in cash and cash equivalents during the year is as follows:			
Cash and cash equivalents as at 1 January		3,422,075	2,427,864
Effect of movements in exchange rates on cash held		(26,861)	(1,154)
Cash and Cash equivalent as at 31 December	23	2,884,848	3,422,075

Notes and related statements forming part of these financial statements appear on pages 22 to 65.
Report of the Auditor – Pages 14 to 17.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. REPORTING ENTITY

Mayfair Insurance Tanzania Limited is a Company domiciled in Tanzania. The financial statements of the Company are for the year ended 31 December 2022. The addresses of its registered office and principal place of business are disclosed in the corporate information page of this report. The Company is a licenced insurer and underwrites general insurance business.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Financial statements have been prepared in accordance with and comply with the IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by Companies Act, 2002. Additional information required by the regulatory bodies is included where appropriate.

For the Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for otherwise stated in the significant accounting policies. The significant accounting policies are summarised in Note 3.

The methods used to measure fair value are discussed further in Note 5.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional currency and presentation currency. Except as indicated, financial information presented in Tanzania Shillings has been rounded to the nearest thousands ('000').

(d) Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

(i) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting into a material adjustment in the year ended 31 December 2022 is included in the following notes:

- Note 3(d)(vi) and Note 28 – impairment of financial assets
- Note 3(a)(ii) – IBNR provision: key assumptions underlying provisions for losses not reported;
- Note 3(o) and Note 26 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be use

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2. BASIS OF PREPARATION (CONTINUED)

(e) *COVID – 19/Russia Ukraine considerations*

The coronavirus pandemic / Russia Ukraine war had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour.

The matters had a significant impact on the risks that the Company is exposed to and has forced the Company to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

As at the reporting date the effects of the pandemic have not had a significant impact on the IBNR provision and/or the deferred tax recoverability assessment. Management remained realistic by taking up more provision for receivables to curb for any future uncertainties that may arise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

(a) **Recognition and measurement of contracts – general insurance business**

General insurance business is accounted for on an annual basis.

(i) **Premiums**

Premiums arising from general insurance business

General business written premiums comprise premiums on contracts entered into during the year, irrespective of whether they relate in whole or in part to a later accounting period. Premiums are disclosed gross of commission payable to intermediaries.

An estimate is made at the reporting date to recognise retrospective adjustments to premiums or commissions. The earned portion of premiums received including unclosed business, is recognised as revenue. Premiums on unclosed business are brought into account, based upon the pattern of booking of renewals and new business. Premiums are earned from the date of attachment of risk, over the indemnity period, based on the pattern of the risk underwritten. Outward reinsurance premiums are recognised as an expense in accordance with the pattern of reinsurance services received.

Unearned premium provision

The provision for unearned premiums comprises the proportion of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the 365th method, and adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Recognition and measurement of contracts – general insurance business (Continued)

(ii) Claims

Claims arising from general insurance business

Claims incurred in respect of general business consist of claims and claims handling expenses paid during the financial year together with the movement in the provision for outstanding claims.

Claims outstanding comprises provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. The main assumption underlying techniques applied in the estimation of liability for claims is that the Company's past claims experience can be used to project future claims development and hence ultimate costs. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, levels of claims inflation which could be derived from the historical claims' development data, judicial trends, legislative changes and past experience and trends of the claims. Anticipated reinsurance recoveries, and estimates of salvage and subrogation recoveries, are disclosed separately as assets. Reinsurance and other recoveries are assessed in a manner similar to the assessment of claims outstanding. Claims provisions for claims outstanding are discounted where there is a particularly long period from incident to claims settlement and where there exists a suitable claims pattern from which to calculate the discount.

Whilst the directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years (if any) are reflected in the financial statements for the period in which the adjustments are made, and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

General insurance liabilities

The provision represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which may vary from original assessment. Adjustments to the amounts of claim provisions established in prior years are reflected in the financial statements for the period in which adjustments are made and disclosed separately, if material. Unpaid losses and loss adjustment expenses consist of estimates for reported losses and provisions for losses not reported called Incurred But Not Reported (IBNR) is determined based on IFRS 4 requirement, subject to a minimum required by regulation of 20% of the outstanding claims, as prescribed in under section 27(2)(b) under Insurance Regulations.

Liability adequacy test

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities (unearned premium reserves and outstanding claims) net of related deferred acquisition cost. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss as part of claims incurred.

(iii) Reinsurance

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Recognition and measurement of contracts – general insurance business (Continued)

(iii) Reinsurance (continued)

The Company ceded reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders. Premiums ceded and benefits reimbursed are presented in the profit of loss and statement of financial position on a gross basis. Only contracts that give rise to a significant transfer of insurance risk are accounted for as insurance. Amounts recoverable under such contracts are recognised in the same year as the related claim.

Contracts that do not transfer significant insurance risk (i.e., financial reinsurance), are recorded using the deposit method of accounting. Reinsurance assets include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue and accounted as if the reinsurance was considered direct business, taking into account the product classification of the reinsured business. Amounts recoverable from re-insurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsured policy. Reinsurance contracts are entered into retrospectively to reinsure certain notified claims under the Company's general insurance contracts. Any difference between the premium due to the re-insurer and the liability established by the Company for the related claim is amortised over the unexpired period of these contracts.

(iv) Commission payable and deferred acquisition costs

Commissions payable are based on the premium written and are recorded as an expense in the period in which they are incurred. A proportion of commissions payable is deferred and amortised over the period in which the related premium is earned. Deferred acquisition costs represent a proportion of acquisition costs that relate to policies that are in force at the year end.

Deferred acquisition costs are amortised over the terms of the policies as premiums are earned and are computed using the 365th method.

(b) Revenue

The accounting policy in relation to revenue from insurance contracts is disclosed in Note 3 (a)(i). Commission income which includes commission earned on reinsurance are recognised on an accrual basis.

(c) Other Income

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as either net foreign exchange gain or loss depending on whether foreign currency movements result in a net gain or net loss position.

(d) Financial Instruments

The Company deferred application of IFRS 9 Financial instrument until 1 January 2023, with respect to its insurance receivables, where it will apply the standard together with IFRS 17 Insurance contracts.

i) Initial recognition

The Company initially recognises equity investments, deposits with financial institutions, trade and other receivables, cash and cash equivalents, trade and other payables and insurance contract liabilities and government securities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Company commits to purchase or sell the asset.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (continued)

i) Initial recognition (continued)

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets are classified into the following specified categories: financial assets 'at amortized cost', 'at fair value through other comprehensive income', and 'at fair value through profit or loss (FVTPL)'. Financial assets are classified based on (i) the business model within which the financial assets are managed and (ii) the contractual cash flow characteristics of the financial assets (whether the cash flows represent 'solely payment of principal and interest').

iii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold those assets for the purpose of collecting contractual cashflows and those cashflows comprise solely payments of principal and interest ('hold to collect').

Financial assets at fair value through other comprehensive income

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cashflows and selling financial assets, and those contractual cashflows comprise solely payments of principal and interest ('hold to collect and sell').

Movements in the carrying amount of these financial assets are taken through OCI, except for impairment gains or losses, interest revenue and foreign exchange gains or losses, which are recognised in profit or loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Financial assets at FVTPL

Other financial assets that do not fall into the two categories above are measured at FVTPL. All derivative instruments that are either financial assets or financial liabilities continue to be classified as held for trading and measured at fair value through profit and loss.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (continued)

iv) Business model assessment

The Company assess the business model in which a financial asset is held for each portfolio of financial assets because it best reflects the way the business is managed and information is provided by management. The information considered includes the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets; how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

v) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
 - leverage features;
 - prepayment and extension terms;
 - terms that limit the Company's claim to cash flows from specified assets (e.g., non-recourse loans);
- and
- features that modify consideration of the time value of money (e.g., periodical reset of interest rates).

vi) Impairment of financial assets

The financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (continued)

vi) Impairment of financial assets (Continued)

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific Impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

vii) Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid in the financial liability.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

viii) De-recognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (continued)

ix) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

x) Fair value measurement

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

As at the reporting date, the Company did not have any instruments measured at fair value.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in bank and other short term highly liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts.

(f) Non-derivative financial liabilities

The Company has other payables as non-derivative financial liabilities.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Share capital

Ordinary shares are classified as equity. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(h) Property and equipment

i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or constructions of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within the profit or loss.

i) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

ii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation is charged on an annual basis as follows:

• Motor vehicles	5 years
• Computer equipment	3 years
• Furniture, fixtures, fittings and equipment	6 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(i) Intangible assets

i) Recognition and measurement

Intangible assets comprise the cost of acquired computer software. Expenditure on acquired computer software is capitalised and measured at cost less accumulated amortization and any accumulated impairment losses.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (Continued)

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

iii) Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Current intangible assets are amortised at the rate of 33.3% per annum.

iv) Impairment of intangible assets

At end of each reporting period, the Company reviews carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

(j) Leases

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration - i.e., the customer has the rights to obtain substantially all of the economic benefits from using the assets and the rights to direct the use of the asset.

- As a lessee

The Company recognises a right of use asset and lease liability at the lease commencement date. The right-of-use asset is initially measure at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term of the building is five (5) years.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date over tenure of the lease, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases (continued)

- As a lessee

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. The incremental borrowing rate of the Company is 8% per annum. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease term for these leases are five years and the Company has the right of the renewal. The Company assess these assumptions at each reporting period

Short term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets (less than TZS 10 million) and short-term leases (less than 12 months). The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency (Tanzanian Shillings) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss in the period in which they arise.

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets (Continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it is related to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

There are two types of temporary differences: taxable temporary differences and deductible temporary differences. Taxable temporary differences are timing differences such as decrease in provision and tax losses which cause taxable income in current period to be lower than pre-tax accounting income subject to taxes. The difference between the income tax payable and the pre-tax accounting income equals the deferred tax liability.

Deductible temporary differences are differences such as increase in provisions, depreciation of plant, property and equipment which cause the taxable income and hence income tax payable in current period to be higher than the pre-tax accounting income. They result in deferred tax asset which is expected to be utilized in future periods.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Employees benefits

i) Retirement benefits

The Company makes statutory Contributions to the National Social Security Fund (NSSF). The Company's obligations in respect of contributions to such funds are 10% of the employees' gross emoluments in respect of NSSF members.

Contributions to this pension fund is recognised as an expense in the period the employees render the related services.

ii) Short term benefits

The cost of all short-term employee benefits such as salaries, employees' entitlements to leave pay, medical aids, long service award, other contributions, etc. are recognised during the period in which the employees render the related services. The Company recognises the expected cost of bonuses and long service award only when the Company has a present legal or constructive obligation to make such payments and reliable estimate can be made.

iii) Termination benefits

Accumulative termination benefits are payable according to voluntary agreement entered between the employees and the Company whenever:

- An employee's employment is terminated before the normal retirement date;
- An employee accepts voluntary redundancy;
- Normal retirement.

(q) Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(r) Contingency reserve

The statutory reserve represents capital and contingency reserve.

A contingency reserve is created in line with Insurance Regulations 27(1) under the Insurance Act 2009. The regulations require an insurer to establish a contingency reserve into which a transfer representing the greater of 3% of the net premium written or 20% of the net results is made each year until the reserve reaches the greater of the minimum paid up capital or 50% of the net premium written.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS

i) New standards, amendments and interpretations effective and adopted during the year

A number of new standards are effective from 1 January 2022 but do not have material effect on the Company's financial statements.

New standard or amendments	Effective for annual periods beginning on or after
• COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	01 April 2021
• Property, Plant and Equipment: Proceeds before Intended Use – Amendment to IAS 16	1 January 2022
• Onerous Contracts – Cost of Fulfilling a contract – Amendments to IAS 37	1 January 2022
• Annual Improvements to IFRS Standards 2018–2020	1 January 2022
• Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

ii) New standards, amendments and interpretation in issues but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2022, the following relevant Standards and interpretations were in issue but not yet effective:

New standard or amendments	Effective for annual periods beginning on or after
• IFRS 17 Insurance Contracts	1 January 2023
• Amendments to IFRS 1	1 January 2023
• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
• Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
• Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
• Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendments to IFRS 17)	1 January 2023
• Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2024
• Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
• Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely

The following standard will have a significant impact on the financial statements of the Company from 1 January 2023

IFRS 17 Insurance contracts

IFRS 17 supersedes IFRS 4 Insurance Contracts and aims to increase comparability and transparency about profitability. The new standard introduces a new comprehensive model (“general model”) for the recognition and measurement of liabilities arising from insurance contracts. In addition, it includes a simplified approach and modifications to the general measurement model that can be applied in certain circumstances and to specific contracts, such as:

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

- Reinsurance contracts held;
- Direct participating contracts; and
- Investment contracts with discretionary participation features.

Under the new standard, investment components are excluded from insurance revenue and service expenses.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- a) the fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
- b) the contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in profit or loss over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Company expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Company determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

Entities can also choose to present the effect of changes in discount rates and other financial risks in profit or loss or OCI. The new standard includes various new disclosures and requires additional granularity in disclosures to assist users to assess the effects of insurance contracts on the entity's financial statements.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2023. An entity shall apply the standard retrospectively unless impracticable. A Company can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Company's assessment of the requirements of the standard against current data, processes and valuation models is complete, as well as the overall design of the future actuarial and financial reporting processes and architecture. Bima application build activities are tracked in line with the Mayfair Group-wide programme plan. The Company is currently at 40% of its implementation plan and the impact has not been determined as at the date of approval of these financial statements.

Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin (CSM), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e., portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- the Company has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Company has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk-attaching basis and provide unilateral rights to both the Company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

Contract boundaries (continued)

However, under IFRS 17 cash flows arising from underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

Measurement - Overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts that are substantially investment-related service contracts under which the Company promises an investment return based on underlying items; they are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All insurance contracts and investment contracts with discretionary participation features (DPF) in the Participating segment are expected to be classified as direct participating contracts. Shadow accounting will no longer be applied to these contracts. To avoid accounting mismatches between these contracts and their underlying items, the Company will apply the risk mitigation option in IFRS 17, to the extent eligible, to recognise certain changes in these contracts in profit or loss and not to adjust the CSM for those changes when it uses derivatives, non-derivative financial instruments measured at FVTPL or reinsurance contracts to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts.

All other insurance contracts and all reinsurance contracts are expected to be classified as contracts without direct participation features.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Company expects that it will apply the PAA to all contracts in the non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.
- Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

Measurement – Non-life contract

On initial recognition of each group of non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition. The Company will elect to recognise insurance acquisition cash flows as expenses when they are incurred.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided. The Company expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Company will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Company will recognise a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flow that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage. The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Company will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates) unless they are expected to be paid in one year or less from the date the claims are incurred.

The Company will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

Impact assessment

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for non-life contracts.

- Under IFRS 17, the Group will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. This will increase the equity on transition. The Company does not currently discount such future cash flows.
- IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently. This will decrease the equity on transition.
- The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs. This will decrease the equity on transition.

Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Company's financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with discretionary participation features (DPF) that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

Presentation and disclosure (continued)

Under IFRS 17, amounts recognised in the statement of profit or loss and OCI are disaggregated into:

- an insurance service result, comprising insurance revenue and insurance service expenses; and
- insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result

For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognised based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts. The requirements in IFRS 17 to recognise insurance revenue over the coverage period will result in slower revenue recognition compared with the Company's current practice of recognising revenue when the related premiums are written. Expenses that relate directly to the fulfilment of contracts will be recognised in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

Insurance finance income and expenses

Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF. Disclosures will generally be made at a more granular level than under IFRS 4, providing more transparent information for assessing the effects of contracts on the financial statements.

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Company will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. NEW STANDARDS AMENDMENTS AND INTERPRETATIONS (CONTINUED)

IFRS 17 Insurance contracts (continued)

Transition (continued)

- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts); and
- recognise any resulting net difference in equity.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Company will choose between the modified retrospective approach and the fair value approach. However, if the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

5. FAIR VALUE MEASUREMENT

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on the Dar es Salaam Stock Exchange;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

(a) Insurance receivables and other receivables

The fair value of insurance and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting rate.

(b) Investments

The fair value of financial assets at fair value through profit or loss is determined by reference to their quote bid price at the reporting date. As at the reporting date, the Company's investments were those measured at amortised cost.

(c) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. FAIR VALUE MEASUREMENT (CONTINUED)

The following table analyses the Company's financial assets and financial liabilities (by class) not measured at fair value at 31 December 2022 and 31 December 2021. Except for government securities which are long term, the carrying amount of these financial assets and liabilities reasonably approximate their fair value due to their short-term nature.

31 December 2022	Level 1	Level 2	Level 3	Total Fair value TZS '000	Total Carrying value TZS '000
Financial assets:					
Investments in government securities	-	6,135,963	-	6,135,963	5,065,716
Deposits with financial institutions	-	13,991,564	-	13,991,564	13,991,564
Reinsurer's share of technical provision and reserve	-	12,522,216	-	12,522,216	12,522,216
Receivables arising out of direct insurance arrangements	-	2,901,477	-	2,901,477	2,901,477
Receivables arising out of reinsurance arrangements	-	1,242,314	-	1,242,314	1,242,314
Other receivables (excluding prepayments)	-	52,488	-	52,488	52,488
Cash and cash equivalents	-	971,680	-	971,680	971,680
Total	-	37,817,702	-	37,817,702	36,747,455
Financial liabilities:					
Insurance contract liabilities	-	26,044,469	-	26,044,469	26,044,469
Payables arising from re-insurance arrangements	-	2,914,749	-	2,914,749	2,914,749
Other payables	-	644,081	-	644,081	644,081
Bank overdraft	-	16,799	-	16,799	16,799
Total	-	29,620,098	-	29,620,098	29,620,098

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

5. FAIR VALUE MEASUREMENT (CONTINUED)

Accounting classifications and fair values (Continued)

31 December 2021	Level 1	Level 2	Level 3	Total Fair value TZS '000	Total Carrying value TZS '000
Financial assets:					
Investments in government securities	-	5,764,510	-	5,764,510	4,909,764
Deposits with financial institutions	-	12,306,514	-	12,306,514	12,306,514
Reinsurer's share of technical provision and reserve	-	10,527,127	-	10,527,127	10,527,127
Receivables arising out of direct insurance arrangements	-	622,874	-	622,874	622,874
Receivables arising out of reinsurance arrangements	-	4,323,622	-	4,323,622	4,323,622
Other receivables (excluding prepayments)	-	40,709	-	40,709	40,709
Cash and cash equivalents	-	1,434,044	-	1,434,044	1,434,044
Total	-	35,019,400	-	35,019,400	34,164,654
Financial liabilities:					
Insurance contract liabilities	-	22,120,826	-	22,120,826	22,120,826
Payables arising from re-insurance arrangements	-	4,253,378	-	4,253,378	4,253,378
Other payables	-	855,047	-	855,047	855,047
Total	-	27,229,251	-	27,229,251	27,229,251

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

6. RIGHT OF USE ASSETS, PROPERTY AND EQUIPMENT

	Motor vehicles TZS'000	Computer equipment TZS'000	Furniture, fittings & office equipment TZS'000	Right of Use Asset (Office building) TZS'000	Total TZS'000
Cost					
At 1 January 2021	67,064	199,739	439,561	706,470	1,412,834
Additions	-	18,558	27,423	-	45,981
At 31 December 2021	67,064	218,297	466,984	706,470	1,458,815
At 1 January 2022	67,064	218,297	466,984	706,470	1,458,815
Additions	122,000	49,413	22,564	-	193,977
At 31 December 2022	189,064	267,710	489,548	706,470	1,652,792
Depreciation					
At 1 January 2021	50,610	150,781	292,286	282,588	776,265
Charge for the year	6,013	31,007	76,379	141,294	254,693
At 31 December 2021	56,623	181,788	368,665	423,882	1,030,958
At 1 January 2022	56,623	181,788	368,665	423,882	1,030,958
Charge for the year	4,905	37,362	73,595	141,294	257,156
At 31 December 2022	61,528	219,150	442,260	565,176	1,288,114
Carrying amount					
At 31 December 2021	10,441	36,509	98,319	282,588	427,857
At 31 December 2022	127,536	48,560	47,288	141,294	364,678

Fully depreciated assets as at 31 December 2022 had a cost of TZS 163.3 million (2021: TZS Nil) The notional annual depreciation on these assets would have been TZS 49.5 million (2021: TZS Nil). Leases have a term of five years and the Company has renewal option.

7. INTANGIBLE ASSETS

	2022 TZS'000	2021 TZS'000
Cost		
At 1 January	654,629	647,001
Additions	306,203	7,628
At 31 December	960,832	654,629
Amortisation		
At 1 January	(574,572)	(359,145)
Amortisation charge	(365,103)	(215,427)
At 31 December	(939,675)	(574,572)
Carrying amount	21,157	80,057

Intangible assets relate to computer software.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8. DEFERRED ACQUISITION COST

	2022 TZS'000	2021 TZS'000
At 1 January	2,208,820	1,622,617
Deferred acquisition costs for the year (Note 21)	98,023	586,203
At 31 December	<u>2,306,843</u>	<u>2,208,820</u>

9. INVESTMENT IN GOVERNMENT SECURITIES

Treasury bonds	<u>5,065,716</u>	<u>4,909,764</u>
	<u>5,065,716</u>	<u>4,909,764</u>

Maturity analysis:

Over one year	<u>5,065,716</u>	<u>4,909,764</u>
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Movement

Cost

Balance as at 1 January	4,909,764	4,518,914
Purchases	229,952	390,850
Matured	(74,000)	-
Balance as at 31 December	<u>5,065,716</u>	<u>4,909,764</u>

10. DEPOSITS WITH FINANCIAL INSTITUTIONS

Call deposit accounts	1,929,967	1,988,031
Fixed deposit accounts	12,061,597	10,318,483
	<u>13,991,564</u>	<u>12,306,514</u>

Maturity analysis:

Call deposit within 90 days from acquisition (Note 23)	1,929,967	1,988,031
Fixed deposits within 90 days from acquisition	2,626,452	2,250,867
Fixed deposits over 90 days but within a year	9,435,145	8,067,616
	<u>13,991,564</u>	<u>12,306,514</u>

11. REINSURERS' SHARE OF TECHNICAL PROVISIONS AND RESERVES

a) Provision

Reinsurance Share of unearned premium	8,047,942	7,235,768
Reinsurance Share of claims outstanding	5,512,102	4,483,019
Reinsurance Share of IBNR	1,102,421	896,604
Unearned reinsurance commission	(2,140,249)	(2,088,264)
	<u>12,522,216</u>	<u>10,527,127</u>

b) Change in:

i) Reinsurance share of unearned premium

Balance at 1 January	(7,235,768)	(5,282,075)
Reinsurance share of unearned premium at 31 December	8,047,942	7,235,768
	<u>812,174</u>	<u>1,953,693</u>

ii) Reinsurance share of Claim outstanding

Balance at 1 January	(4,483,019)	(10,799,103)
Reinsurance share of claim outstanding at 31 December	5,512,105	4,483,019
	<u>1,029,086</u>	<u>(6,316,084)</u>

iii) Reinsurance Share of IBNR

Balance at 1 January	(896,604)	(2,159,821)
Reinsurance Share of IBNR at 31 December	1,102,421	896,604
	<u>205,817</u>	<u>(1,263,217)</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

12. INSURANCE RECEIVABLES

	2022 TZS'000	2021 TZS'000
a) Receivables arising out of direct insurance arrangements:		
Direct clients	37,516	83,775
Agents and brokers	2,976,589	904,309
Less: provision for impairment	<u>(112,628)</u>	<u>(365,210)</u>
	2,901,477	622,874
Receivables arising out of reinsurance arrangements	<u>1,242,314</u>	<u>4,323,622</u>
	4,143,791	4,946,496
b) Provision for impairment		
Balance as at 1 January	365,210	255,501
(Release)/charge during the year	<u>(252,582)</u>	<u>109,709</u>
Balance as at 31 December	<u>112,628</u>	<u>365,210</u>

13. OTHER RECEIVABLES

Staff debtors	52,488	40,709
Prepayments	<u>28,940</u>	<u>28,941</u>
	81,428	69,650

14. INSURANCE CONTRACT LIABILITIES

a) Provision		
Gross unearned premium provision	14,309,305	12,814,036
Gross outstanding claims provision	9,779,306	7,755,659
Gross IBNR provision	<u>1,955,862</u>	<u>1,551,131</u>
	26,044,473	22,120,826
b) Change in:		
i) Gross unearned premium provision		
Balance at 1 January	12,814,036	9,112,311
Gross unearned premium at 31 December	<u>(14,309,305)</u>	<u>(12,814,036)</u>
	(1,495,269)	(3,701,725)
ii) Gross outstanding claims provision		
Balance at January	(7,755,659)	(13,423,288)
Gross outstanding claims provision	<u>9,779,306</u>	<u>7,755,659</u>
	2,023,647	(5,667,629)
iii) Gross IBNR provision		
Balance at 1 January	(1,551,131)	(2,684,658)
Gross IBNR provision	<u>1,955,862</u>	<u>1,551,131</u>
	404,731	(1,133,527)

The following table illustrate how estimates of cumulative claims for the Company have developed overtime on the gross basis. Each table shows how the Company's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

31 December 2022

Accident year	2018	2019	2020	2021	2022	Total
Estimate of gross claims:	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At end of accident year	21,752,345	20,569,534	13,423,288	7,755,659	11,892,305	11,892,305
One years later	22,074,165	20,846,169	23,025,027	9,023,715	-	9,023,715
Two years later	22,350,805	20,850,123	20,845,088	-	-	20,845,088
Three years later	22,354,759	21,094,404	-	-	-	21,094,404
Four years later	22,317,665	-	-	-	-	22,317,665
		-				
Estimate of cumulative claims	22,317,665	21,094,404	20,845,088	9,023,715	11,892,305	85,173,177
Cumulative gross claim paid	(21,187,252)	(20,654,420)	(20,078,869)	(7,487,859)	(6,214,507)	(75,622,907)
Gross liabilities – accident year 2018-2022	1,130,413	439,984	766,219	1,535,856	5,677,798	9,550,270
Gross liabilities – accident year before 2018						229,036
Incurred but not reported	271,890	87,997	153,244	307,171	1,135,560	1,955,862
Gross claims in the statement of financial position	1,402,303	527,981	919,463	1,843,027	6,813,358	11,735,168

31 December 2021

Accident year	2017	2018	2019	2020	2021	Total
Estimate of gross claims:	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At end of accident year	3,125,264	21,752,345	20,569,534	13,423,288	7,755,659	7,755,659
One years later	3,251,376	22,074,165	20,846,169	23,025,027	-	23,025,027
Two years later	3,279,772	22,350,805	20,850,123	-	-	20,850,123
Three years later	3,279,772	22,354,759	-	-	-	22,354,759
Four years later	3,279,772	-	-	-	-	3,279,772
Estimate of cumulative claims	3,279,772	22,354,759	20,850,123	23,025,027	7,755,659	77,265,340
Cumulative gross claim paid	(3,022,787)	(20,349,216)	(19,760,703)	(21,715,187)	(4,675,843)	(69,523,736)
Gross liabilities – accident year 2016-2020	256,985	2,005,543	1,089,420	1,309,840	3,079,816	7,741,604
Gross liabilities – accident year before 2017	-	-	-	-	-	14,055
Incurred but not reported	51,397	401,109	217,884	261,968	615,963	1,551,132
Gross claims in the statement of financial position	308,382	2,406,652	1,307,304	1,571,808	3,695,779	9,306,791

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

15. PAYABLES ARISING FROM REINSURANCE ARRANGEMENTS

	2022 TZS'000	2021 TZS'000
Payable to re-insurers	2,307,701	2,420,191
Payable to insurers	603,633	1,526,091
Payable to direct insurance arrangements	3,415	307,096
	<u>2,914,749</u>	<u>4,253,378</u>

16. OTHER PAYABLES

Sundry creditors	602,197	829,337
Output VAT and withholding taxes	210,141	210,141
Accrual for audit fees	41,884	25,710
Statutory deductions	119,075	248,853
Leave pay provision liability	76,036	76,036
Lease liabilities (Note 27)	269,701	398,987
	<u>1,319,034</u>	<u>1,789,064</u>

17. SHARE CAPITAL AND RESERVES

Authorised		
8,000,000 ordinary shares with a par values of TZS 1,000 per share	<u>8,000,000</u>	<u>8,000,000</u>
a) Issued and fully paid up		
4,000,000 ordinary shares of TZS 1,000 each	<u>4,000,000</u>	<u>4,000,000</u>

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

b) Contingency reserve

A non-distributable contingency reserve is required to be maintained by transferring each year from retained earnings an amount of not less than the greater of 3% of the total premium written or 20% of the net profit, whichever is the greater. The reserve is accumulated until it reaches the greater of minimum paid up share capital or 50% of net premiums written. The total amount of contingency reserve at end of the year is TZS 4,041,601,000 (2020: TZS 3,037,570,000)

18. GROSS WRITTEN PREMIUM

	2022 TZS'000	2021 TZS'000
Fire	8,007,314	7,461,988
Motor	12,817,103	10,550,349
Accident	1,777,841	420,101
Workmen compensation	53,469	39,626
Liability	374,310	390,180
Bond and fidelity guarantee	2,569,173	2,004,931
Marine	5,113,322	4,050,327
Engineering	2,020,786	1,411,503
Miscellaneous	734,387	752,078
	<u>33,467,705</u>	<u>27,081,083</u>

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. INVESTMENT INCOME

	2022 TZS'000	2021 TZS'000
Interest income from deposits with financial institutions	767,721	651,132
Interest income from investments in government securities	655,382	625,966
	<u>1,423,103</u>	<u>1,277,098</u>

20. CLAIMS INCURRED

a) Gross insurance claims

Gross claims paid	10,364,803	13,320,486
Change in gross claims outstanding (Note 14(b)(ii))	2,023,647	(5,667,629)
Change in Gross IBNR (Note 14(b)(iii))	404,731	(1,133,527)
Total gross claims incurred for the year	<u>12,793,181</u>	<u>6,519,330</u>

b) Reinsurance insurance claims

Reinsurance share of paid claims	(5,364,530)	(9,718,436)
Change in reinsurance share of outstanding claims (Note 11(b)(ii))	(1,029,086)	6,316,084
Change in reinsurance share of IBNR (Note 11(b)(iii))	(205,817)	1,263,217
Total claims (recovery)/expense	<u>(6,599,433)</u>	<u>(2,139,135)</u>

Net incurred claims	<u>6,193,748</u>	<u>4,380,195</u>
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21. ACQUISITION COSTS

Commission expense	6,254,204	4,473,759
Movement in deferred acquisition costs (Note 8)	(98,023)	(586,203)
	<u>6,156,181</u>	<u>3,887,556</u>

22. ADMINISTRATIVE EXPENSE

Profit before taxation and reserve transfers is stated after charging		
Staff costs	2,161,056	1,741,040
Defined contribution expense	414,052	327,414
Directors' remuneration (Note 25)	132,220	156,387
Auditor remuneration	71,530	76,032
Depreciation of property, plant and equipment	115,921	113,399
Amortization of right of use assets	141,294	141,294
Amortization of computer software	215,427	215,427
Premium taxes, levies and licenses	362,286	194,457
Other expenses	2,932,373	1,416,017
	<u>6,546,159</u>	<u>4,381,467</u>

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

23. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	2022 TZS'000	2021 TZS'000
Cash balances	1,710	961
Bank balances	969,970	1,433,083
Cash and cash equivalent in statement of financial position	971,680	1,434,044
Call deposits	1,929,967	1,988,031
	<u>2,901,647</u>	<u>3,422,075</u>
Bank Overdraft repayable on demand and used for cash management purposes	(16,799)	-
Cash and cash equivalent in statement of cash flows	<u>2,884,848</u>	<u>3,422,075</u>

24. BANK OVERDRAFT

	2022 TZS'000	2021 TZS'000
Bank overdraft	<u>16,799</u>	<u>-</u>

The Company had an overdraft facility with Canara Bank at differential interest rate of 1.5%. The overdraft facility is unsecured with an original currency of USD.

25. RELATED PARTIES TRANSACTIONS

The majority shareholder is Mayfair Insurance Company Limited incorporated in Kenya.

(a) Trading transactions

The Company was not charged any management fees during the year in respect of services and technical support provided by Mayfair Insurance Company Ltd - Kenya (the ultimate holding Company). Transaction with related parties during the year were in the normal course of business and they give rise to amounts due from related parties as shown below.

(b) Business with companies related to directors

	2022 TZS'000	2021 TZS'000
Insurance premiums		
Sumaria Group (T) Limited	850,940	847,002
Estim Construction Co. Limited	563,305	413,761
Motisun Group Limited	1,854,019	2,930,129
Afro Supplies Limited	7,795	14,338
	<u>3,276,059</u>	<u>4,205,230</u>
Insurance claims		
Paid Claims		
Motisun Group Limited	1,120,847	267,844
Sumaria Group (T) Limited	1,057,342	336,035
Estim Construction Co. Limited	204,734	129,729
	<u>2,382,923</u>	<u>733,608</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

25. RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Business with companies related to directors (continued)

	2022 TZS'000	2021 TZS'000
Outstanding claims		
Motison Group Limited	606,941	111,729
Sumaria Group	82,324	340,452
Estim Construction	204,734	650,559
Afro Supplies	-	82,852
	<u>893,999</u>	<u>1,185,592</u>

(c) Directors' remuneration

Remuneration paid to directors during the year was as follows:

Anjay V. Patel	16,556	19,582
Vishal Patel	16,556	19,582
Abbas M. Jessa	15,642	18,501
David Sawe	15,642	18,501
William E. Erio	16,556	19,582
Pawan Patel	15,642	18,501
Jayesh Shan	19,984	23,637
Mr. Darpan Pindolia	15,642	18,501
	<u>132,220</u>	<u>156,387</u>

Directors' remunerations relate to fees and travel and accommodation allowances.

(d) Key management personnel remuneration

Salaries and other short-term benefits	<u>1,180,924</u>	<u>994,488</u>
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26. TAXATION

(a) Current tax

	2022 TZS'000	2021 TZS'000
(i) Income tax expense		
Current tax charge	949,352	937,763
Deferred tax credit (Note 26 (b))	(88,723)	(119,466)
Deferred tax credit – prior year	-	(121,484)
Under provision prior year tax charge *	24,939	-
	<u>885,568</u>	<u>696,813</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

26. TAXATION (CONTINUED)

(a) Current tax (continued)

Reconciliation of income tax expense

	%	2022 TZS'000	%	2021 TZS'000
Effective tax	<u>38.2</u>	<u>885,568</u>	<u>26.2</u>	<u>696,813</u>
Accounting profit before taxation		2,320,362		2,655,137
Tax applicable rate of 30%	30	696,109	30	796,541
Deferred tax over provision in prior year	-	-	(4.6)	(121,484)
Permanently disallowed expenditure	7.1	164,520	0.8	21,756
Under provision prior year tax charge	1.1	24,939	-	-
	<u>38.2</u>	<u>885,568</u>	<u>26.2</u>	<u>696,813</u>

(ii) Income tax receivable

Balance at 1 January	267,153	225,116
Tax charge for the period - Note 26(a)(i)	(949,352)	(937,763)
Prior year tax charge *	(24,939)	-
Tax payments during the year	943,405	979,800
Balance at 31 December	<u>236,267</u>	<u>267,153</u>

* During the year, the Company underwent a tax audit by Tanzania Revenue authority pertaining to the year of income 2020. An assessment of TZS 446 million was issued and the Company conceded for the entire amount. Out of the assessed amount TZS 24. 9 million related to corporate tax, 357.1 million relate to VAT, 56.6 million relate to WHT on local services, TZS 2.9 million relating to PAYE and SDL together with TZS 4.5 as penalty for EFD offence.

(b) Deferred tax asset

Deferred tax asset has been computed in respect of the following items:

2022	Balance at 1 January TZS'000	Recognized in profit or loss TZS'000	Balance at 31 December TZS'000
Accelerated depreciation for tax purposes	22,396	73,992	96,388
General provision	347,303	14,731	362,034
	<u>369,699</u>	<u>88,723</u>	<u>458,422</u>
2021	Balance at 1 January TZS'000	Recognized in profit or loss TZS'000	Balance at 31 December TZS'000
Accelerated depreciation for tax purposes	51,351	(28,955)	22,396
General provision	77,398	269,905	347,303
	<u>128,749</u>	<u>240,950</u>	<u>369,699</u>

The tax affairs of the Company are subject to agreement with the Tanzania Revenue Authority (TRA).

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

27. LEASES

The Company has lease contracts for various buildings used for office operations. Leases of buildings generally have lease terms between 2 and 5 years and include extension and termination options.

The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Below are the low value assets;

	2022 TZS '000	2021 TZS'000
Zanzibar Office	8,036	8,036
Mwanza Office	9,000	8,100
	<u>17,036</u>	<u>16,136</u>

Right of use asset

The carrying amount of right-of-use asset recognised and the movement during the period has been disclosed as part of property and equipment in the Note 6 of this financial statements.

Lease liability movement

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 TZS'000	2021 TZS'000
Balance at 1 January	398,987	548,211
Payments of lease Liability (cash flow item)	(129,286)	(149,224)
Payments of interest expense (cash flow item)	(19,800)	(27,737)
Finance cost	19,800	27,737
Balance at 31 December	<u>269,701</u>	<u>398,987</u>
Current (Undiscounted)	149,467	148,787
Non-current (Undiscounted)	149,467	297,574
	<u>298,934</u>	<u>446,361</u>

Amounts to be recognised in profit or loss under IFRS 16

Interest on lease liabilities	19,800	27,737
Amortization of the right of use asset	141,294	141,294
Expenses relating to low value assets	17,200	16,136

Amounts to be recognised in the statement of cash flows

Interest paid	19,800	27,737
Principal payments	129,286	149,224

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

27. LEASES (CONTINUED)

Extensions options

Some leases of office premises contain extension options exercisable by the Company up to one term after the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK

The Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

As a result of COVID-19 pandemic, there were no significant impact on the financial risk management by the Company. The Company has not experienced cash flow challenges arising from disruptions to its operations, higher operating costs or decrease in demand for its insurance products, which results in lost revenues.

(a) Insurance risk

(i) General insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and number of claims and benefits will vary from year to year from the level established based on past experience.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

This risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting principles and guidelines, as well as the use of carefully arranged reinsurance agreements.

The Company has developed its insurance underwriting strategy to diversify the type of insurance risk accepted and within each of these categories to achieve a sufficient large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (continued)

(ii) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors, such as inflation, legal rulings and weather events. The Company manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Company has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (i.e., subrogation).

The reinsurance arrangements include excess of loss, and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses of more than TZS 25 million on motor accident and liabilities, TZS 50 million on fire and engineering and TZS 10 million on marine hulls and cargo. In addition to the overall Company reinsurance programme, individual business units are permitted to purchase additional reinsurance protection.

iii) Concentration of insurance liabilities

The Company sells insurance products to the general public and therefore is not exposed to any concentration of risk in one particular sector.

The following table discloses the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy.

2022	Maximum insured loss				Total TZS'000
	TZS 0 - 15m TZS'000	TZS 15 - 250m TZS'000	Above TZS 250m TZS'000		
Motor gross	3,761,400	5,985,874	3,069,829		12,817,103
Net	3,194,721	4,728,894	1,679,230		9,602,845
Accident gross	1,446	173,658	1,602,737		1,777,841
Net	1,854	223,617	1,371,131		1,596,602
Marine gross	13,307	820,560	4,279,455		5,113,322
Net	9,548	527,344	1,287,530		1,824,422
Fire gross	252	62,470	7,944,592		8,007,314
Ne	279	65,023	1,524,492		1,589,794
Engineering gross	8,567	200,098	1,812,122		2,020,787
Net	8,037	172,606	536,493		717,136
Others	272,534	787,002	2,671,802		3,731,338
Net	337,476	152,236	376,595		866,307
Gross written premium	4,057,506	8,029,662	21,380,537		33,467,705
Net written premium (Inclusive of re-insurer's share TZS 923.762 million)	3,551,915	5,869,720	6,775,471		16,197,106

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(a) Insurance risk (Continued)

iii) Concentration of insurance liabilities (Continued)

2021	Maximum insured loss			Total TZS'000
	TZS 0 - 15m TZS'000	TZS 15 - 250m TZS'000	Above TZS 250m TZS'000	
Motor gross	3,096,181	4,927,250	2,526,918	10,550,349
Net	2,741,505	4,058,035	1,419,555	8,219,095
Accident gross	342	41,035	378,724	420,101
Net	309	37,267	228,505	266,081
Marine gross	10,540	649,976	3,389,811	4,050,327
Net	9,645	532,721	1,300,657	1,843,023
Fire gross	234	58,216	7,403,538	7,461,988
Net	214	49,856	1,168,892	1,218,962
Engineering gross	5,984	139,767	1,265,752	1,411,503
Net	5,756	123,623	384,242	513,621
Others	232,762	672,153	2,281,900	3,186,815
Net	211,499	95,408	236,015	542,922
Gross written premium	3,346,043	6,488,397	17,246,643	27,081,083
Net written premium (Inclusive of re-insurer's share TZS 2,709 million)	2,968,928	4,896,910	4,737,866	12,603,704

(b) Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the audit committee, which is responsible for developing and monitoring Company risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of directors on their activities.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(b) Financial risk (Continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables. Key areas where the Company is exposed to credit risk are:

Re-insurers' share of insurance contract liabilities; amounts due from reinsurers in respect of claims already paid amounts due from direct clients, brokers and agents.

The Company has established a credit policy under which each new customer (direct, brokers, agents and other insurance companies) is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of a re-insurer is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Other sundry debtors are not having standard credit characteristics; they differ depending on whether they are normal, "governed by specific debtor" or the creditworthiness of entity from which they are receivable.

The maximum exposure to credit risk at 31 December 2022 is the carrying value of the financial assets in the statement of financial position.

There was no collateral held in respect of the financial assets in the balance sheet.

None of the above assets are past due or impaired.

The following table shows the carrying amounts of financial assets bearing credit risk excluding reinsurance share of technical provisions and reserves assets which are disclosed in note 11 respectively:

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Credit risk (Continued)

	2022 TZS'000	2021 TZS'000
Deposit with financial Institutions	12,061,597	10,318,483
Investment in government securities	5,065,716	4,909,764
Corporate bonds	50,000	-
Cash and cash equivalent	2,901,647	3,422,075
Receivables arising from direct insurance arrangement	2,901,477	622,874
Receivable arising from reinsurance arrangements	1,242,314	4,323,622
Other receivables (excluding prepayments)	52,488	40,709
	<u>24,275,239</u>	<u>23,637,527</u>

None of the above assets are either past due or impaired except for the following amounts under receivables arising from direct insurance arrangement:

	2022 TZS'000	2021 TZS'000
Past due but not impaired:		
by up to 30 days	2,901,477	622,874
by 31 to 60 days	-	-
by 61 to 120 days	-	-
	<u>2,901,477</u>	<u>622,874</u>
Receivables individually determined to be impaired:		
Carrying amount before provision for impairment	3,014,105	988,084
Provision for impairment loss	(112,628)	(365,210)
Net carrying amount	<u>2,901,477</u>	<u>622,874</u>

No collateral is held in respect of the receivables that are past due but not impaired. Movements on the provision for impairment of receivables arising on direct insurance arrangements are as follows;

	2022 TZS'000	2021 TZS'000
At start of the year	365,210	255,501
Provision for the year	(252,582)	109,709
At end of year	<u>112,628</u>	<u>365,210</u>

All insurance receivables relating to direct business and brokers past due for more than 180 days are considered to be impaired and are carried at their estimated recoverable value.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the Company's board of directors.

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

The table below shows the contractual maturity of financial liabilities:

2022	Carrying Amount TZS'000	Due on demand TZS'000	1 – 3 months TZS'000	3 – 12 months TZS'000	1 – 5 years TZS'000
Insurance contract liabilities	26,044,469	-	18,805,728	7,238,741	-
Payables arising from reinsurance arrangements	2,914,749	-	2,612,956	301,793	-
Other payables	644,081	-	644,081	-	-
Lease liability	269,701	-	-	149,467	149,467
Bank overdraft	16,799	-	16,799	-	-
	<u>29,889,799</u>	<u>-</u>	<u>22,079,564</u>	<u>7,690,001</u>	<u>149,467</u>
2021	Carrying Amount TZS'000	Due on demand TZS'000	1 – 3 months TZS'000	3 – 12 months TZS'000	1 – 5 years TZS'000
Insurance contract liabilities	22,120,826	-	8,541,953	13,578,873	-
Payables arising from reinsurance arrangements	4,253,378	-	1,701,351	860,729	-
Other payables	855,047	-	855,047	-	-
Lease liability	398,987	-	-	148,787	297,574
	<u>27,628,238</u>	<u>-</u>	<u>11,098,351</u>	<u>14,588,389</u>	<u>297,574</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company's business strategies.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company's business strategies.

At 31 December 2022, if the interest rate were to increase or decrease by 5% with all the other variables held constant, the impact on the pre-tax profit for the year would have been lower or higher by TZS 132.75 million (2021: TZS 132.75 million). This is mainly attributable to the Company's exposure to interest rates on its interest-bearing financial assets and liabilities.

The table below summarizes the contractual maturity periods and interest rate profile of the Company's financial instruments:

	On demand	Due between 3 and 12 months	Due between 1 and 5 years	Non interest bearing	Total
2022	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets					
Investments in government securities	-	-	5,065,716	-	5,065,716
Deposits with financial institutions	-	13,991,564	-	-	13,991,564
Reinsurers' share of technical provisions and reserves	-	12,522,216	-	-	12,522,216
Other receivables	-	52,488	-	-	52,488
Insurance receivables	-	4,143,791	-	-	4,143,791
Cash and bank balances	971,680	-	-	-	971,680
	<u>971,680</u>	<u>30,710,059</u>	<u>5,065,716</u>	<u>-</u>	<u>36,747,455</u>
Liabilities					
Insurance contract liabilities	-	26,044,469	-	-	26,044,469
Payables arising from reinsurance arrangements	-	2,914,749	-	-	2,914,749
Other payables	-	644,081	-	-	720,117
Bank overdraft	-	16,799	-	-	16,799
Lease liability	-	-	298,934	-	298,934
	<u>-</u>	<u>29,620,098</u>	<u>298,934</u>	<u>-</u>	<u>29,995,068</u>
Interest sensitivity gap	<u>971,680</u>	<u>1,089,961</u>	<u>4,766,782</u>	<u>-</u>	<u>6,752,387</u>

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Market risks (Continued)

(i) Interest rate risk (Continued)

2021	On demand TZS'000	Due between 3 and 12 months TZS'000	Due between 1 and 5 years TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets					
Investments in government securities	-	-	4,909,764	-	4,909,764
Deposits with financial Institutions	-	12,306,514	-	-	12,306,514
Reinsurers' share of technical provisions and reserves	-	10,527,127	-	-	10,527,127
Other receivables	-	40,709	-	-	40,709
Insurance receivables	-	4,946,496	-	-	4,946,496
Cash and bank balances	1,434,044	-	-	-	1,434,044
	<u>1,434,044</u>	<u>27,820,846</u>	<u>4,909,764</u>	<u>-</u>	<u>34,164,654</u>
Liabilities					
Insurance contract liabilities	-	22,120,826	-	-	22,120,826
Payables arising from reinsurance arrangements	-	4,253,378	-	-	4,253,378
Other payables	-	855,047	-	-	855,047
Bank overdraft	-	-	-	-	-
Lease liability	-	-	446,361	-	446,361
	<u>-</u>	<u>27,229,251</u>	<u>446,361</u>	<u>-</u>	<u>27,675,612</u>
Interest sensitivity gap	<u>1,434,044</u>	<u>591,595</u>	<u>4,463,403</u>	<u>-</u>	<u>6,489,042</u>

(ii) Currency risk

The Company is exposed to currency risk on settlement of reinsurance premiums to reinsurers, settlement of claims in foreign currency, short term insurance contracts and investments that are denominated in a currency other than the respective functional currency of the Company, the Tanzanian Shillings (TZS). The Company's strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk –currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(e) Market risks (Continued)

(ii) Currency risk (Continued)

The Company's exposure to foreign currency risk was as follows based on notional amounts in US dollars:

	2022 TZS'000	2021 TZS'000
Bank balances	441,203	624,941
Deposit with financial institutions and investment in government securities	8,564,574	8,115,640
	<u>9,005,777</u>	<u>8,740,581</u>
A sensitivity analysis in relation to net exposure for a 10% strengthening of the USD against TZS		
Increase/(decrease) in equity	<u>900,578</u>	<u>874,958</u>
Increase/(decrease) in profit or loss	<u>900,578</u>	<u>874,958</u>

The following significant exchange rates applied during the year:

	Average rate	Closing rate
US Dollar	2,302.62	2,308.5

(iii) Weighted average effective interest rates

The following table summarizes the weighted average effective rates at the year-end on the principal interest-bearing investments

	2022 %	2021 %
Government securities	12.08	11.91
Deposits with financial institutions (TZS)	9.93	9.76
Deposits with financial institutions (US\$)	4.21	4.15

(f) Capital management

The Company maintains an efficient capital structure from a combination of equity shareholders' funds which is consistent with the Group's risk profile and the regulatory and market requirements of its business.

During the year the return on capital employed was 23.39% (2021: 26.38%). Return on capital is defined as: profit for the year before tax divided by total shareholders' equity. There were no changes in the Company's approach to capital management during the year.

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(g) Regulatory capital

The Company is required to comply with the following:

The Company's lead regulator, Tanzania Insurance Regulatory Authority, sets and monitors capital requirements for the Company as a whole.

As per regulation issued under section 18 of the Insurance Act, 2009, it requires the minimum amount of paid-up share capital to be maintained by a general insurer to be TZS 2.172 billion for the year ended 31 December 2022.

As at year end, the Company had issued and paid-up ordinary share capital of 4,000,000 shares at TZS 1,000 amounting to TZS 4,000,000,000.

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements that the regulators of the insurance markets require;
- To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

There were no changes in the Company's approach to capital management during the year.

(h) Margin of solvency

The Company's capital management objective is to comply with the capital and solvency requirements as set out in the Insurance Act 2009 ('the Act') and its regulations, to safeguard the Company's ability to continue as a going concern and to provide an adequate return to shareholders.

The Act requires an insurance Company transacting general business to have minimum paid up capital of TZS 2.172 billion times the lesser of 1.03 and the ratio of current year to prior year Consumer Price Index (CPI), i.e., TZS 2,171,801,452 and maintain a solvency margin, (i.e., admitted assets less total liabilities) of the greater of TZS 1,140 million and 20% of net premiums written, i.e., TZS 15,273,344,000 for the year ended 31 December 2022 (2021: TZS 11,767,920,880).

The Company's paid up share capital at 31 December 2022 was 4,000,000,000, which is above the prescribed minimum capital requirement for an insurance Company transacting general business. The Company also reviews its capital movements regularly to ensure that it is adequately capitalised at all times and is able to sustain its financial capability and comply with the regulatory requirements.

In order to comply with the Insurance Act 2009 and its regulations, the Company has transferred a total of TZS 458,200,000 as to date to the contingency reserve.

As at 31 December 2022, the Company's total admissible assets exceeded liabilities as prescribed in the Act and the Companying regulations by TZS 5,751,195,000 (2021: TZS 4,169,446,000) resulting in a solvency margin surplus of TZS 2,696,526,000 (2021: TZS 1,815,862,000).

MAYFAIR INSURANCE TANZANIA LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

28. MANAGEMENT OF CAPITAL, INSURANCE AND FINANCIAL RISK (CONTINUED)

(h) Margin of solvency (Continued)

	<u>TZS' 000</u>	Short term Business TZS' 000
Solvency margin as at 31 December 2022		
Total admitted assets		22,094,759
Total admitted liabilities		<u>16,283,579</u>
Actual Solvency Margin		5,811,180
Add: Margin requirement (The greater of TZS 1,139,632,000 or 20% of net written premium)		
-Net written premium current period	15,273,344	
-20% of net written premium	<u>3,054,669</u>	<u>3,054,669</u>
Total liabilities and minimum requirement (margin requirement)		<u>19,338,248</u>
Solvency Margin		<u>2,756,511</u>
Solvency margin as at 31 December 2021		
Total admitted assets		21,274,604
Total admitted liabilities		<u>17,104,158</u>
Actual solvency margin		4,169,446
Add: Margin requirement (The greater of TZS 1,085,000 million or 20% of net written premium)		
-Net written premium current period	11,767,920	
-20% of net written premium	<u>2,353,584</u>	<u>2,353,584</u>
Total liabilities and minimum requirement (margin requirement)		<u>19,457,742</u>
Solvency margin		<u>1,815,862</u>

MAYFAIR INSURANCE TANZANIA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

29. CONTINGENT LIABILITIES

There are pending tax cases in which the Company is contesting various notices of settlement of objection from Tanzania Revenue Authority for the years 2016 to 2018. As at 31 December 2022, the principal amount of tax in dispute and which depends on the outcome of these cases is TZS 396 million. The directors believe that there is high probability of the Company not being liable for payment of this sum such that ruling will be made in favour of the Company.

30. CORPORATE BOND

During the year the Company purchased a bond from Iman Finance Limited as issued on 29 November 2022, with a face value of TZS 50,000,000 and accruing interest at a rate of 7.5%. Accrued interest during the year amounted to TZS 312,500 (2020: Nil).

31. CAPITAL COMMITMENTS

The directors also confirm that there are no commitments involving the Company as at the date of this report.

32. SUBSEQUENT EVENTS

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Company and results of its operations.

MAYFAIR INSURANCE TANZANIA LIMITED

APPENDIX A – REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2021

	Fire	Motor	Personal Accident	W/Men Compensation	Marine	Engineering	Misc.	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Gross written premiums	7,461,988	10,550,349	420,101	39,626	4,050,327	1,411,503	3,147,189	27,081,083
Changes in net UPR	1,472,586	(3,200,107)	(222,977)	1,422	(611,922)	40,863	772,103	(1,748,032)
Gross earned premiums	8,934,574	7,350,242	197,124	41,048	3,438,405	1,452,366	3,919,292	25,333,051
Less: Reinsurance premium	(6,682,306)	(2,638,659)	(154,020)	(3,939)	(2,233,274)	(961,010)	(2,639,955)	(15,313,163)
Net earned premiums (A)	2,252,268	4,711,584	43,103	37,110	1,205,131	491,356	1,279,337	10,019,888
Paid claims	6,780,188	4,271,687	56,146	-	530,696	424,552	1,257,217	13,320,486
Change in gross outstanding claims	774,817	(437,358)	(99,887)	21,324	142,614	118,797	257,838	778,145
Less: Reinsurance share of paid claims	(6,508,579)	(1,563,097)	(10,657)	-	(247,971)	(270,943)	(1,117,189)	(9,718,436)
Net incurred claims (B)	1,046,426	2,271,232	(54,398)	21,324	425,339	272,406	397,866	4,380,195
Commissions income	2,149,777	383,734	91,046	787	830,880	291,482	876,063	4,623,769
Commissions expense	(1,739,551)	(1,240,361)	(68,169)	(6,709)	(603,873)	(273,513)	(541,583)	(4,473,759)
Deferred acquisition cost	88,369	118,889	(2,616)	(408)	(147,783)	27,997	(36,202)	48,246
Expenses of management	(1,182,501)	(1,671,913)	(66,574)	(6,280)	(641,855)	(223,681)	(498,735)	(4,291,538)
Premium tax & levies	(53,584)	(75,757)	(3,017)	(285)	(29,084)	(10,135)	(22,599)	(194,457)
Total expenses and commissions (C)	(737,488)	(2,485,408)	(49,332)	(12,893)	(591,714)	(187,850)	(223,056)	(4,287,740)
Underwriting profit- 2021 (A –B +C)	468,355	(45,056)	48,171	2,894	188,079	31,099	658,415	1,351,956

MAYFAIR INSURANCE TANZANIA LIMITED

APPENDIX A – REVENUE ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2022

	Fire	Motor	Personal Accident	W/Men Compensation	Marine	Engineering	Misc.	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Gross written premiums	8,007,313	12,817,103	1,777,841	53,469	5,113,321	2,020,787	3,677,870	33,467,705
Changes in net UPB	194,360	(1,188,088)	(173,355)	2,380	(466,080)	565,897	381,796	(683,091)
Gross earned premiums	8,201,673	11,629,014	1,604,486	55,849	4,647,241	2,586,684	4,059,666	32,784,614
Less: Reinsurance premium	(6,916,375)	(3,490,058)	(181,238)	(5,119)	(3,366,316)	(1,375,340)	(2,859,913)	(18,194,361)
Net earned premiums (A)	1,285,298	8,138,956	1,423,247	50,730	1,280,925	1,211,343	1,199,753	14,590,253
Paid claims	2,728,946	5,494,503	155,269	-	645,319	816,296	525,191	10,365,524
Change in gross outstanding claims	(21,294)	1,045,178	54,427	(57,746)	226,517	(6,050)	(48,279)	1,192,753
Less: Reinsurance share of paid claims	(2,465,713)	(1,721,704)	(42,046)	=	(185,437)	(547,021)	(402,606)	(5,364,528)
Net incurred claims (B)	241,939	4,817,978	167,650	(57,746)	686,400	263,224	74,305	6,193,750
Commissions income	1,953,773	529,369	49,261	1,027	914,941	498,526	1,029,260	4,976,157
Commissions expense	(2,182,786)	(1,807,960)	(260,621)	(10,428)	(748,272)	(475,219)	(769,427)	(6,254,714)
Deferred acquisition cost	7,411	25,025	9,583	800	(59,428)	16,691	45,950	46,033
Expenses of management	(595,492)	(2,233,728)	(869,837)	(9,318)	(518,135)	(812,177)	(730,969)	(5,832,657)
Premium tax & levies	(116,246)	(186,072)	(25,810)	(776)	(74,232)	(29,337)	(53,393)	(485,866)
Total expenses and commissions (C)	(933,340)	(3,673,366)	(1,097,424)	(18,696)	(548,127)	801,515	(478,579)	(7,551,047)
Underwriting profit- 2022 (A –B +C)	110,020	(352,388)	158,172	89,780	46,400	146,604	646,869	845,457